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NOVA SCOTIA POWER CORPORATION

Sixty-Eighth Annual Report
1987/1988

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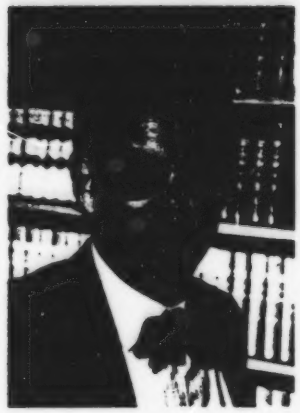
Cover

Bob LaPierre (left), Superintendent, Energy Control Centre, and Alan Kaiser, Senior Production Cost Analyst, discuss energy pricing while energy dispatcher Leo Walsh monitors the system load and ensures the security of Nova Scotia's power supply at the state-of-the-art Nova Scotia Power Energy Control Centre, Ragged Lake

LETTER OF TRANSMITTAL

1988 07 27



Nova Scotia Power Corporation
P.O. Box 910
Halifax, Nova Scotia
B3J 2W5

His Honour
The Right Honourable Alan Abraham
Lieutenant-Governor of Nova Scotia

Dear Sir:

I have the honour to submit herewith the sixty-eighth Annual Report of the Nova Scotia Power Corporation, together with financial statements for the fiscal year ended March 31, 1988.

Management and staff of the Corporation continue in their efforts to work for the overall development of Nova Scotia through reliable service and a continuing emphasis on Nova Scotia content in the varied undertakings that are part of the operation of a major industry.

The Corporation continues to utilize state-of-the-art technology with particular emphasis on our environment and this commitment to protecting our environment will remain an integral part of its day-to-day activities.

Sincerely,

Joseph A.F. Macdonald, Q.C.
Chairman

PRESIDENT'S REPORT

With electricity having been identified as the energy form which will account for the largest increase in energy use, Nova Scotia Power continues with a well-defined planning process and a program to meet the electrical needs of Nova Scotia in a reliable, cost-effective, environmentally acceptable, economically positive manner.

The past fiscal period resulted in an operating loss of $27,753,000 which we have offset through the utilization of our Rate Stabilization Reserve and our Retained Earnings.

This deficit is less than anticipated, leaving us with equity of $31.6 million and for the fifth consecutive year consumers did not experience an increase in rates.

Our financial state remains healthy. We continue to be self-sufficient and an orderly repayment program is in place for the retirement of our debt. Our current sinking fund plus future allocations will retire 71 per cent of existing applicable debt at maturity. The remainder will be re-financed.

Our performance in the area of rates meets one of Nova Scotia Power's stated objectives of five years ago; others being self-sufficiency, greater environmental awareness and increased dedication to the service of our customers. I am pleased that we continue to meet these objectives through the dedicated efforts of our employees, the utilization of state-of-the-art technology and a sound planning process.

I am particularly pleased that Nova Scotia Power has continued to have such a positive impact on the Nova Scotia economy. This is evidenced by the fact that during the past year Nova Scotia content represented 85 per cent or nearly $270 million of our total purchases of materials, supplies and services. This trend is part of our commitment to our province. We have commenced work on the 150-megawatt Trenton No. 6 coal-fired generating unit and this project will include approximately $115 million in Nova Scotia content. Such commitment will continue in future projects.

In the area of environment we welcome the Province of Nova Scotia's participation in the Federal-Provincial Agreement on Acid Rain. As part of our commitment to operate in an environmentally sound manner in all aspects of our operation, we have continued to install efficient emission control devices in existing thermal generating plants and plan to use low-sulphur coal in our Trenton No. 6 unit.

Future thermal generating stations will utilize state-of-the-art technology and we have identified several options: clean combustion technologies (Fluidized Bed Combustion), flue gas cleaning technologies (scrubbers), advanced coal-cleaning technologies and coal gasification.

It is evident that electrical use will continue to grow in ensuing years. It is expected that by the year 2005, electricity, as an end use energy form, will increase from today's 14 per cent of the provincial total to 23 per cent.

We will be examining various options to meet this growth, including power produced by the private sector. During the next year we will work closely with the Department of Mines and Energy and private developers relative to the implementation of proposals in this regard.

We have noted a steady improvement in the area of service to new and existing customers in the delivery of our product as well as in the provision of information and assistance in energy management.

We are extremely pleased with the success of Nova Scotia Power Savings Bonds whereby our customers are taking an active part in the financing of their utility as well as allowing us to inject our interest dollars back into the Nova Scotia economy.

Nova Scotians can be pleased with the efforts of the Board of Directors, management and employees of Nova Scotia Power for their commitment to safe, efficient, economic electric service as together we strive for the continuing economic development of this province.

Louis R. Comeau

CORPORATE INFORMATION

Board of Directors

J. A. F. Macdonald, QC
Chairman
Halifax

Louis R. Comeau
Halifax

Allan F. Bruce
Truro

C. J. (Jake) Creighton
Dartmouth

Robert A. Damery
Bridgewater

Glynn R. Elliott
Amherst

G. Douglas Macdonald
New Glasgow

James G. MacDonald
Sydney

G. James McCulloch
Halifax

Cecil S. Smith
Liverpool

M. Barbara Walker
Halifax

Buster L. Woodworth
Wolfville

Committees of the Board of Directors

Audit Committee

C. S. Smith, Chairman
O. P. O'Rourke, Secretary
A. F. Bruce
G. J. McCulloch
L. R. Comeau, Ex Officio

Compensation Committee

G. J. McCulloch, Chairman
A. F. Bruce
R. A. Damery
J. G. MacDonald
L. R. Comeau, Ex Officio

Centennial Scholarship Selection Committee

A. F. Bruce, Chairman
L. R. Comeau, Ex Officio

Pension Committee

J. A. F. Macdonald, QC, Chairman
C. J. Creighton
W. L. Fraser
M. B. Walker
B. L. Woodworth
L. R. Comeau, Ex Officio

Officers

L. R. Comeau
President and
Chief Executive Officer

O. P. O'Rourke
Vice-President, Finance

T. F. MacDonald
Vice-President, Planning

L. J. Sweett
Vice-President,
Customer Services

W. L. Fraser
Vice-President, Personnel
and Corporate Services

G. D. Lethbridge
Vice-President,
Engineering and Production

R. J. Smith
Secretary and Senior Solicitor

Auditors

KPMG Peat Marwick
Halifax

Bankers

Bank of Nova Scotia
Royal Bank of Canada

Solicitors

Cox, Downie & Goodfellow
Halifax

Transfer Agent and Registrar

Corporate Trust and Debt
Administration Department,
Nova Scotia Power
Corporation

THE YEAR IN REVIEW

Innovative Technologies

A. Peter Lowes (CADD technologist), Bernie Dowling (design/drafting specialist) and Malcolm Johnson (draftsman) use the computer-aided design and drafting (CADD) systems to produce three dimensional diagrams.

B. Chemist Mark Race observes readings from the ion chromatograph at Tufts Cove.

C. As part of our ongoing commitment to the environment, we continue our osprey relocation program. Osprey nests such as this one are moved from transmission lines to safer, specially built towers.

NSPC has always striven to adopt state-of-the-art technology in the design and construction of all our facilities. The latest use of such technology has been the computer-aided design and drafting (CADD) systems which help in all aspects of plant design.

In the past year engineers have been modelling, in three dimensions, the structural steel framework for the Trenton 6 powerhouse using CADD. Models of the powerhouse foundation have been created showing details of the reinforcing steel and the piping contained within.

As each project is finalized and the drawings produced, CADD will have saved thousands of hours of drafting work and will streamline any necessary changes and updates.

This past year has also shown us the latest in power devices designed to stabilize the electrical supply system under varying load and fault conditions. The Static Var Compensator which has been installed at Brushy Hill Substation will allow NSPC to supply power from its Cape Breton plants while controlling voltage in the Halifax-Dartmouth load centre without disrupting the operation of the Tufts Cove Units, thus allowing economical benefits.

Computers continue to be a part of our lives as we strive to find new and more effective ways to use them at Nova Scotia Power.

We have been developing, in conjunction with Dalhousie University, a software program called "MIDAS" — Manager's Intelligent Debt Advisor System. This program has the potential to better enable us to organize some of the ever-changing details of international finance: long and short term interest rates in several countries, varying foreign exchange rates in those same countries and forecasts of future interest and exchange rates. It will allow us to do more analysis on future borrowings: short or long term, fixed or floating rate, Canadian or any of a dozen foreign currencies.

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Our plants at Tufts Cove, Point Tupper and Trenton are using a computerized, on-line, water quality monitoring system to ensure efficient operation and to prevent corrosion in our thermal operating units. The Ion Chromatograph monitors the levels of impurities in the various water systems and detects changes in chemical levels as small as parts per billion. This sensitivity to change enables plant staff to detect and address any unusual levels of contaminants at an early stage before they can lead to operational problems.

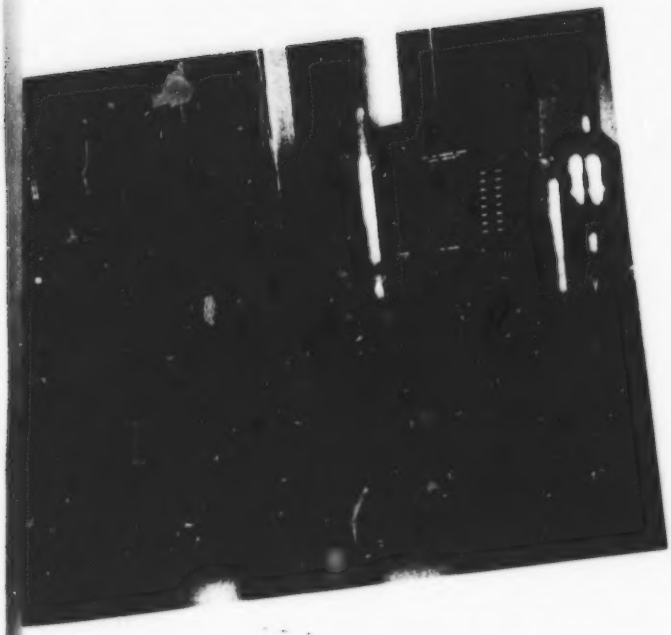
Another innovative computer program has been developed by the Thermal Production Division at our Tufts Cove Plant. The Thermal Efficiency Monitoring System in the plant control room calculates the plant's efficiency performance in relation to the ideal. There are nine main points of plant operation which are monitored constantly and best indicate plant efficiency. The system's screen is updated every five minutes and that data can be acted on immediately. The machine is much more efficient than the previous system which had plant operators recording efficiency points once every eight-hour shift.

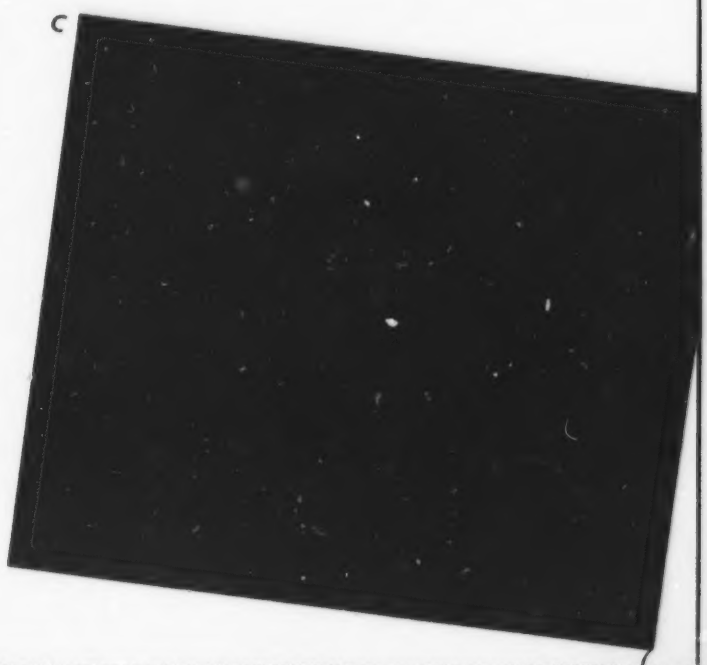
Nova Scotia Power's success in protecting the environment in which we work continues. Research and new technologies have helped us to better understand our environment and the ways we can best protect and nurture it.

Nova Scotia Power and Ontario Hydro have jointly carried out research on ways to prevent turbine-related fish mortality at tidal power generating stations such as Annapolis. One of the devices tested, the hammer sound deterrent, was found to be effective in repelling fish from the turbine area and further research has been recommended.

During the past year, NSPC completed a three-year environmental study to assess the use of herbicides on transmission line rights-of-way. Two conclusions were made. The herbicide residual levels of the soil in the treated areas were found to have diminished to below detection within a year of application. As well, it was found that the use of herbicides to control undesirable vegetation permits the balanced regrowth of natural flora in keeping with rights-of-way needs and, at the same time, provides food resources and forest-edge cover for wildlife.

As a result of improvements at the Tufts Cove Plant, Nova Scotia Power has received an industrial environmental recognition award from the Nova Scotia Environmental Control Council. The addition of magnesium hydroxide additive systems into the units' boilers, combined with improved combustion and modified operating procedures, has led to cleaner emissions at Tufts Cove and recognition from the Council.





Nova Scotia Power continues to pursue our mandate to serve the broad social and economic interests of Nova Scotia.

We are investigating the feasibility of exporting power to New England via what would be the world's longest subsea HVDC (high voltage direct current) cable.

The proposal involves the construction of 900 to 1200 megawatts of environmentally acceptable coal-fired generation in Nova Scotia and the transmission of this power from the proposed Sheet Harbour plant directly to New England. Not only will this project, if realized, provide financial benefits for the Corporation but it will also create new employment and inject substantial additional dollars into the Nova Scotia economy.

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***A.** Donna Bourgeois, Technical Analyst, System Planning, creates a graphic illustrating the route of the power export project.*

Nova Scotia's energy requirement during the past year was up 5.4 per cent over the previous year to 8,141,280,000 kilowatt hours. Nova Scotia coal-fired generating stations supplied 67.21 per cent of our needs while oil-fired stations supplied 15.90 per cent and hydro stations, 10.56 per cent.

This year's peak demand of 1607 megawatts occurred on January 14 and was 12.3 per cent higher than the peak load of the previous year.

The conversion of the 150 megawatt Point Tupper No. 2 unit from oil to coal-fired was completed under budget and the unit began commercial operation on November 21, 1987.

This project has proven the viability of coal conversion without loss in unit capacity. With innovation, it has actually allowed an increase of five per cent to 157 megawatts. The conversion will result in substantial savings in fuel costs over the next 15 years with an annual coal consumption of up to 400,000 tonnes.

On October 27, 1987, our new Energy Control Centre was opened at Ragged Lake Research and Business Park. This Centre controls the generation and transmission of power throughout the province. Corporation staff, with the help of sophisticated computer technology, monitors the use of electric power in Nova Scotia and controls its delivery to meet the needs of each particular region at any given time.

Sources of Energy

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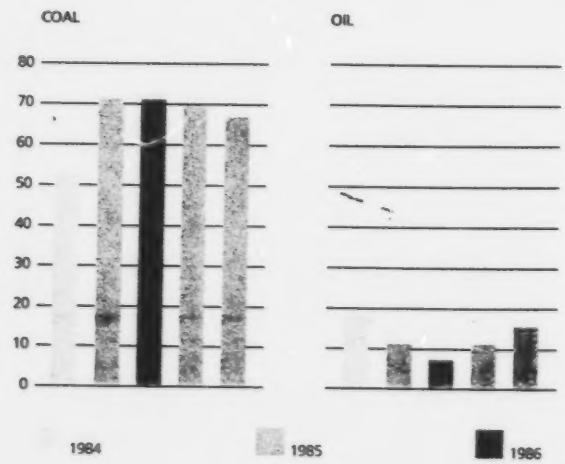


This past year has been one in which Nova Scotia Power employees have been working to improve themselves, their workplace and their community.

On April 1, 1987, the first of a two-part policy to make NSPC a smoke-free workplace was implemented. From that time, continuing for one year, smoking was permitted only in an employee's immediate work area and, with the agreement of all occupants, in Corporation vehicles. As of April 1, 1988, there is absolutely no smoking allowed on Corporation premises or in Corporation vehicles.

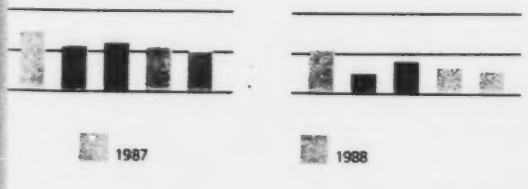
Safety has always been a priority at Nova Scotia Power. This program to remove smoking from the workplace addresses the safety hazards that smoking poses to smokers and non-smokers alike.

More employees than ever took part in training programs offered by NSPC with a staggering 97.76 per cent increase in employee participation over last year. The 2115 participants took part in training programs ranging from First Aid to Time Management for Women to the Transport of Dangerous Goods.

As a follow-up to last year's Employee Attitude Survey and Employee Communication Meetings, 12 focus groups were held and together they came up with over 600 recommendations "to make Nova Scotia Power an even better place to work". These suggestions are being given full consideration and some changes have already resulted.

Through the Employees' Charitable Fund, NSPC employees gave over $19,000 to such non-profit organizations as the Canadian Cancer Society, the Nova Scotia Lung Association and the Salvation Army while another $35,000 went to the United Way. With a total of $54,000 in donations, each employee who contributed to the fund gave an average of $43.50.

B. *Leading meter reader Doug Stewart of Stellarton enters data into the Itron datacap. The datacap is standard equipment for Nova Scotia Power's 60 meter readers.*



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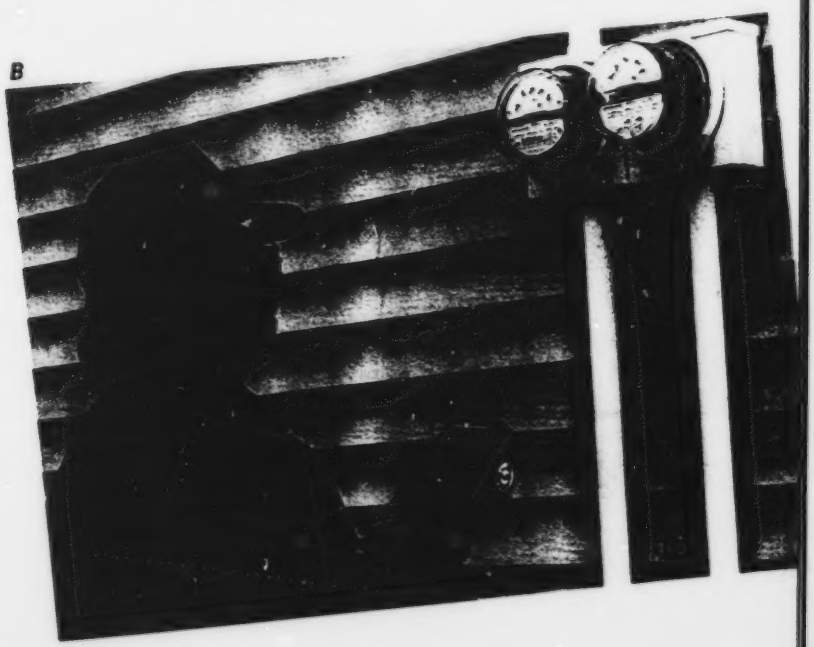


Our Customer Commitment

Our long-term commitment to improving customer service has continued in the past year.

In order to maintain our record of 99.97 per cent reliability in providing power to our 373,594 customers, Nova Scotia Power invested $45 million in capital improvements. Transmission refinements were completed between Lingan Mine and Glace Bay, Cape Breton County; and between Maccan and Pugwash, Cumberland County. Additional transformer capacity was added at Whycocomagh, Lower East Pubnico, Argyle and Milton. As well, new distribution lines, poles and associated equipment were installed throughout the province to further upgrade and enhance service.

In keeping with our commitment to the people and communities we serve, NSPC continues to emphasize the use of Nova Scotia goods and services to meet our requirements. Nova Scotia Power's purchases for 1987-88 totalled $315,533,000 of which 85.3 per cent or $269,259,000 was spent through manufacturers, producers, distributors and/or agents in Nova Scotia.

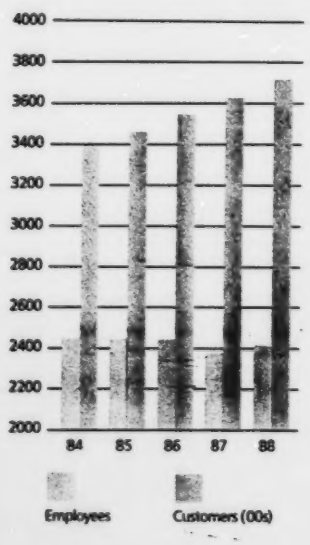
In the fall of 1987, Nova Scotia Power commissioned a Customer Service Study to assess the quality of service our residential customers are receiving. Nearly half of our customers believe that service has improved over the last few years. As well, 70 per cent of our customers see our service as being either good or excellent.

In June 1987, our customers once again showed their support for the continued development of their utility through the purchase of savings bonds. The response of Nova Scotians to our 1986 and 1987 bond issues has been overwhelming with total sales exceeding $300 million.

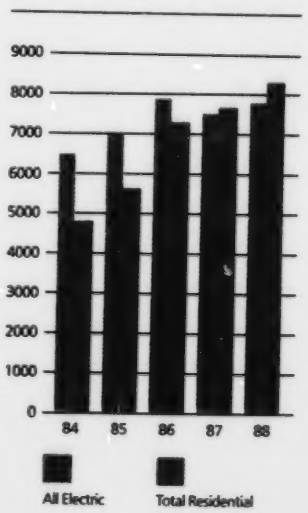
As part of our commitment to inform our customers on the wise and efficient use of electricity, Nova Scotia Power continues to recommend, through a number of programs, the R-2000 All-Electric Home. These homes combine conventional construction with state-of-the-art technology to ensure energy-efficient and comfortable homes.

A. *Customer Advisor Charles Greaves of Sydney consults with customer Gary Wilneff on R-2000 construction techniques.*

Number of Customers per Employees



Residential Services Growth



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Financial Review

During fiscal 1987-88 Nova Scotia Power achieved a landmark level for revenue. As a Corporation we have broken the one-half billion dollar electric sales revenue figure for the first time.

Nova Scotia Power is continuing to maintain its self-sufficiency and to meet the corporate objective of protecting the consumer. Rates to electric customers have not increased for five consecutive years.

The Corporation experienced an operating loss of $27.8 million in the 1987-88 fiscal year which was funded from the Corporation's Rate Stabilization Reserve and Retained Earnings.

Electric revenue increased $26.6 million, or 5.6% over fiscal 1986-87. Additional sales of 401 million kilowatt hours helped in-province electric sales to rise $24.8 million or 5.2%. Electric revenue from export sales of 29 million kilowatt hours provided $1.9 million of revenue, a major increase over the almost non-existent export sales in 1986-87.

The total cost of operations for fiscal 1987-88 was $385.6 million, which is $39.5 million or 11.4% greater than the previous year. The most significant increase was the fuel costs increase of $25.7 million or 14.8% due primarily to increased production required to meet increased load. Operating costs other than fuel increased $13.8 million or 8.0%.

The total in-province requirement for 1987-88 was 8141 GW.h, an increase of 419 GW.h or 5.4% over 1986-87. Thermal generation increased by 524 GW.h and supplied 83% of the total requirement. Hydro generation accounted for 10% of the total requirement, 6% was purchased power, and the remainder was obtained through tidal power and gas turbines.

Hydro production was only 85% of normal mainly due to the recovery of last year's extremely low storage situation. At the end of fiscal 1986-87 hydro storage was down to 91 GW.h. By applying good resource management techniques coupled with favourable runoff, this year we have been able to move hydro storage up to 170 GW.h, 88% of normal. During this time of storage replenishment we were also able to generate 836 GW.h of hydro-electric energy.

Cost of power — other costs have increased $2.3 million or 5.9% over the previous year. The main factor behind this growth is the increased additional costs associated with the conversion of Tupper Unit 2.

Operating, maintenance and general expenses increased $6.2 million. The increase was largely due to a general escalation of costs, several new environmental programs, such as the PCB control and removal program, and the transmission line brush control and vegetation harmonization program, and increases in employee benefits, insurance premiums and bad debt expense.

Depreciation totalled $52.6 million in 1987-88, $4.2 million or 8.6% higher than the preceding year. The increase reflects thermal, transmission, distribution and general assets placed in service in fiscal 1987-88. The most notable addition was the return to service of Point Tupper Unit 2, after its successful conversion from oil to coal. Tupper Unit 2 had been out of service during conversion from mid fiscal 1985-86 to the middle of the current fiscal year, 1987-88.

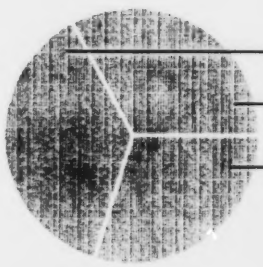
Interest expense increased $4.4 million, or 3.0% over the preceding year.

Financial Statistics

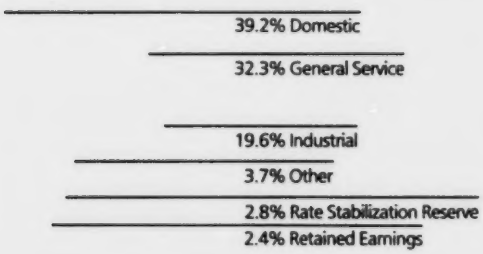
For the year ended March 31, 1988, with comparative figures for 1987
thousands of dollars.

	1988	1987
Electric Revenue	$502,658	$476,056
Total Cost of Operations	385,571	346,116
Fuel	199,082	173,397
Purchased Power	12,698	11,719
Depreciation	52,576	48,426
Interest	151,830	147,443
Net Proceeds from Long-Term Borrowings	149,667	166,569
Net Additions to Fixed Assets	101,755	120,066
Net Loss	27,753	9,277

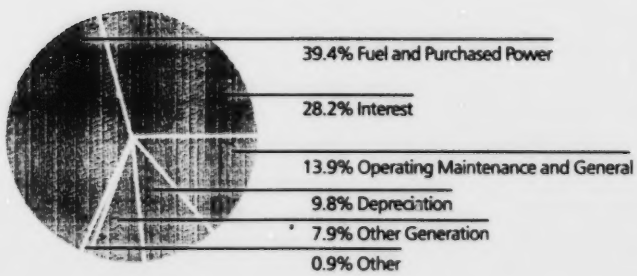
NSPC Energy Sales
Fiscal Year ended
March 31, 1988



Sources of Revenue



Uses of Revenue



Management Report

All information, including the consolidated financial statements in the Annual Report of Nova Scotia Power Corporation, is the responsibility of management and has been approved by the Directors. Financial information presented throughout this report is consistent with the data presented in the financial statements which are prepared in accordance with accounting principles generally accepted in Canada.

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee, a majority of whom are not employees of the Corporation. The Audit Committee meet[illegible]larly with management, internal auditors, and the independent auditors all of whom have full and free access to the Committee.

The independent auditors are responsible for auditing the financial statements and giving an opinion thereon.

Auditors' Report

To the Board of Directors
Nova Scotia Power Corporation

We have examined the consolidated balance sheet of Nova Scotia Power Corporation as at March 31, 1988, and the consolidated statements of operations, retained earnings, rate stabilization reserve and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat Marwick

Chartered Accountants

Halifax, Canada
June 14, 1988

Consolidated Statement of Operations

for the year ended March 31, 1988, with comparative figures for 1987
thousands of dollars

	1988	1987
Revenue		
Electric — note 1	**$502,658**	$476,056
Other	**6,990**	8,226
	509,648	484,282
Cost of operations		
Power generated — fuel	**199,082**	173,397
— other	**41,743**	39,417
Power purchased	**12,698**	11,719
Operating, maintenance and general	**74,721**	68,534
Grants in lieu of taxes	**4,751**	4,623
Depreciation	**52,576**	48,426
	385,571	346,116
Earnings before interest	**124,077**	138,166
Interest — note 2	**151,830**	147,443
Net loss	**$ 27,753**	$ 9,277

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Balance Sheet

as at March 31, 1988, with comparative figures for 1987
thousands of dollars

ASSETS

	1988	1987
Fixed assets		
Property, plant and equipment in service	$1,833,978	$1,643,320
Less accumulated depreciation	547,607	501,985
	1,286,371	1,141,335
Construction work in progress	24,482	120,413
	1,310,853	1,261,748
Current assets		
Cash	97	80
Short-term investments at cost	-	1,395
Accounts receivable	42,900	45,811
Unbilled revenue	38,339	33,915
Inventories at cost	57,557	52,203
Prepaid expenses	1,730	1,690
	140,623	135,094
Long-term receivables	255	328
Deferred charges less amortization		
Unrealized foreign exchange costs	36,627	57,781
Financing costs	14,440	14,749
Other	6,320	5,103
	57,387	77,633
	$1,509,118	$1,474,803

APPROVED ON BEHALF OF THE CORPORATION

Chairman

President and Chief Executive Officer

Consolidated Balance Sheet

as at March 31, 1988, with comparative figures for 1987
thousands of dollars

LIABILITIES AND EQUITY

	1988	1987
Long-term debt — note 3		
Bonds and debentures	$1,528,776	$1,427,350
Notes		
Province of Nova Scotia	101,145	104,733
Government of Canada	44,503	46,574
Other	6,937	12,692
	1,681,361	1,591,349
Less		
Payable within one year — note 3	70,946	59,199
Sinking funds	309,666	275,877
	380,612	335,076
	1,300,749	1,256,273
Current liabilities		
Bank indebtedness	4,652	8,315
Short-term notes payable	633	905
Accounts payable and accrued charges	38,860	37,712
Customers' deposits and accrued interest	1,321	1,205
Accrued interest on long-term debt	58,522	49,700
Long-term debt payable within one year	70,946	59,199
	174,934	157,036
Deferred credits	1,828	2,134
Equity		
Contributed surplus	13,327	13,327
Rate stabilization reserve	-	15,164
Retained earnings	18,280	30,869
	31,607	59,360
	$1,509,118	$1,474,803

Commitments — note 4

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

for the year ended March 31, 1988, with comparative figures for 1987
thousands of dollars

	1988	1987
Balance at beginning of year	$30,869	$30,869
Net loss	27,753	9,277
	3,116	21,592
Appropriation from rate stabilization reserve	15,164	9,277
Balance at end of year	$18,280	$30,869

Consolidated Statement of Rate Stabilization Reserve

for the year ended March 31, 1988, with comparative figures for 1987
thousands of dollars

	1988	1987
Balance at beginning of year	$15,164	24,441
Appropriation to retained earnings	15,164	9,277
Balance at end of year	$ -	$15,164

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Statement of Changes in Cash Position

for the year ended March 31, 1988, with comparative figures for 1987
thousands of dollars

	1988	1987
Operating activities:		
Net loss	$ (27,753)	$ (9,277)
Items not requiring an outlay of funds:		
Depreciation	52,576	48,426
Amortization of deferred charges	7,735	3,763
Earnings on sinking funds	(26,076)	(22,331)
Working capital	3,254	8,473
Cash provided by operating activities	9,736	29,054
Financing activities:		
Proceeds from long-term debt less discount	149,667	166,569
Repayment of long-term debt	(38,358)	(33,585)
Sinking fund payments	(15,408)	(14,302)
Other	(179)	549
Cash provided by financing activities	95,722	119,231
Investing activities:		
Net additions to fixed assets and deferred charges	102,901	123,322
Cash applied to investing activities	102,901	123,322
Increase in cash position	2,557	24,963
Cash position (deficiency) at beginning of year	(7,745)	(32,708)
Cash position (deficiency) at end of year	$ (5,188)	$ (7,745)

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Summary of Significant Accounting Policies March 31, 1988

Consolidation

The consolidated financial statements include the accounts of Nova Scotia Power Corporation and its wholly-owned subsidiaries, Nova Scotia Light and Power Company, Limited and Eastern Light & Power Company Limited.

Regulation

The Corporation is a crown corporation of the Province of Nova Scotia engaged in the production and sale of electric energy, and is regulated by the Board of Commissioners of Public Utilities for the Province of Nova Scotia pursuant to the Public Utilities Act.

Property, Plant and Equipment

The property, plant and equipment of the Corporation are recorded at original cost net of contributions in aid of construction. Expenditures for additions, replacements and improvements, which are comprised of direct labour, material, engineering, and related overhead costs, are capitalized whereas repairs and maintenance are charged to operations. Interest on funds used during construction is capitalized monthly at an interest rate which represents the effective cost of capital determined at the preceding fiscal year end. For property, plant and equipment replaced or renewed the original cost plus removal cost less salvage is charged to accumulated depreciation.

The excess of the Corporation's investment over the book value of subsidiaries and acquired power utilities was $30,197,000. This amount is being amortized on a straight line basis over terms ranging from 11-30 years. At March 31, 1988, the unamortized value included in the fixed assets of the Corporation was $10,373,000.

Depreciation is provided for by the Corporation on the straight line method, based on the estimated remaining service lives of its depreciable assets. The estimated average service lives for the major categories of plant in service are summarized as follows:

Functions	Average Life in Years
Generation:	
Hydro	63.6
Steam	29.7
Gas Turbine	23.8
Transmission	39.8
Distribution	29.4
General Plant	17.0

Changes in the estimated service lives of fixed assets and in the significant assumptions underlying the estimates of fixed asset removal costs are subject to periodic review. Such changes are implemented on a remaining service life basis from the year the changes can be first reflected in electric service rates.

Depreciation expense for the year ended March 31, 1988 includes $1,195,000 representing amortization of the excess of investment over book value of acquired utilities.

Foreign Currency Translation

Foreign currency amounts are translated into Canadian funds substantially in accordance with the temporal method of foreign currency translation, whereby assets and liabilities so denominated are categorized as monetary or non-monetary items as follows:

(a) Monetary items:

Cash, other current assets and liabilities, sinking funds and long-term debt are converted to Canadian dollars at the rate of exchange prevailing at the balance sheet date. The resulting differences between the translation at the original transaction date and the balance sheet date that relates to long-term debt less sinking funds are shown on the balance sheet under deferred charges.

These costs are amortized to operations over the remaining life of the debt issue or the period over which the related sinking fund will retire the debt issue, whichever is less.

(b) Non-monetary items:

Fixed assets originally acquired in foreign currencies are translated to Canadian dollars at historical exchange rates.

(c) Revenue and expense items, including interest expense on long-term debt, are reflected in operations at the rate of exchange on the date of the transaction together with any other exchange gains or losses realized from transactions affecting current operations.

Sinking Funds

Sinking funds, including those in foreign currencies, consist of securities and cash held by the Corporation and trustees for the redemption of certain debt issues. Certain issues of bonds and debentures requiring annual sinking fund payments provide that the Corporation may satisfy its obligation by purchasing bonds or debentures on the open market at any time prior to the due date. Any discount or premium on such purchases will be recognized in income on the transaction date.

Notes to Consolidated Financial Statements March 31, 1988

1. Electric Revenue

Electric service is provided to the Province of Nova Scotia and its agencies at the appropriate class rates as approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia.

2. Interest

thousands of dollars

	1988	1987
Interest on long-term debt	$168,348	$156,218
Amortization of financing costs	2,286	2,153
Interest on short-term borrowings	394	1,302
Foreign exchange costs realized	14,503	18,302
Amortization of unrealized foreign exchange costs	5,520	1,689
Other	161	675
	191,212	180,339
Less		
Interest charged to construction	9,602	8,326
Sinking fund earnings	26,076	22,331
Loss on redemption of bonds	(54)	(493)
Other investment income	3,758	2,732
	39,382	32,896
	$151,830	$147,443

3. Long-Term Debt

thousands of dollars

Long-term debt which is guaranteed by the Province of Nova Scotia is expressed in Canadian dollars. The rates in effect at balance sheet date summarized by years of maturity and by currency payable are as follows:

Year of Maturity	1988 Principal Outstanding			1988 Weighted Average Coupon Rate	1987 Principal Outstanding	1987 Weighted Average Coupon Rate
	Canadian	Foreign	Total	%	Total	%
1988	$ -	$ -	$ -		$ 46,783	
1989	53,972	-	53,972		11,240	
1990	6,797	43,193	49,990		51,092	
1991	19,117	-	19,117		19,117	
1992	282,518	72,480	354,998		357,003	
1993	208,610	-	208,610		-	
1- 5 Years	571,014	115,673	686,687	10.13	485,235	9.75
6-10 Years	27,463	54,054	81,517	7.94	178,532	11.47
11-15 Years	489,203	98,728	587,931	10.35	376,232	9.81
16-20 Years	229,832	-	229,832	12.01	449,738	11.63
21-25 Years	2,836	92,558	95,394	9.56	101,612	9.60
	$ 1,320,348	$ 361,013	$1,681,361	10.33	$1,591,349	10.48
Currency payable:						
Canadian dollars			$1,320,348	10.91	$1,206,059	11.19
United States dollars			288,533	9.04	305,133	9.05
Swiss francs			72,480	4.88	69,368	4.88
Deutsche marks			-	-	10,789	7.00
			$1,681,361	10.33	$1,591,349	10.48

Included in long-term debt are Nova Scotia Power savings bonds outstanding of $304 million in 1988 ($164 million in 1987) which are redeemable, in whole or in part on an annual basis at par at the option of the holder. Holders of $44 million have opted for redempton on July 7, 1988 and this amount has been included in long-term debt payable within one year. It is the intention of the Corporation to finance these redemptions through future debt issues.

Long-term maturities and sinking fund requirements, including those in foreign currencies translated to Canadian currency at March 31, 1988, are as follows:

Year Ending March 31	
1989	$ 70,946
1990	65,607
1991	22,470
1992	303,077
1993	162,797
	$624,897

4. Commitments

As at March 31, 1988, the Corporation was constructing generation, transmission and other facilities estimated to cost approximately $449.0 million of which approximately $184.0 million has been expended and an additional $69.3 million has been committed under contract.

5. Pension Plans

Regular employees of the Corporation are covered by the Public Service Superannuation Plan of the Province of Nova Scotia, which is a defined benefit multi-employer plan under which contributions are made equally by the Corporation and the employees. During the year, contributions to this plan of $4,280,000 (1987 - $4,051,000) were expensed.

The Corporation provides pension benefits to employees of acquired utilities, additional to those which are payable under the existing plans for years of service prior to acquisition. The Nova Scotia Light and Power Company, Limited Pension Plan and the Nova Scotia Power Corporation Supplemental Pension Plan, each serving a closed employee group, have been treated in accordance with generally accepted practice for defined benefit pension plans. Pension expense for these plans in 1988 totalled $1,519,000 (1987 - $1,338,000).

Based on the most recent actuarial valuations completed as of December 31, 1987, extrapolations of both the present value of the accrued pension benefits, and the market value of the net assets available to provide for these benefits have been made to March 31, 1988.

Accrued Benefits	$56,558,000
Pension Fund Assets	37,735,000
	$18,823,000

Amortization Method	Annuity Method
Amortization Period	15 Years
Annualized Future Funding Contribution and Expense	$2,054,000

6. Related Party Transactions

Related party transactions are disclosed elsewhere in the consolidated financial statements.

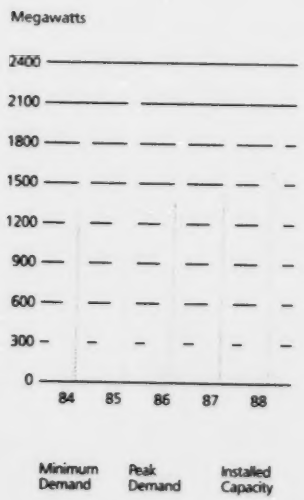
Comparative Statistics

for twelve month period ended March 31

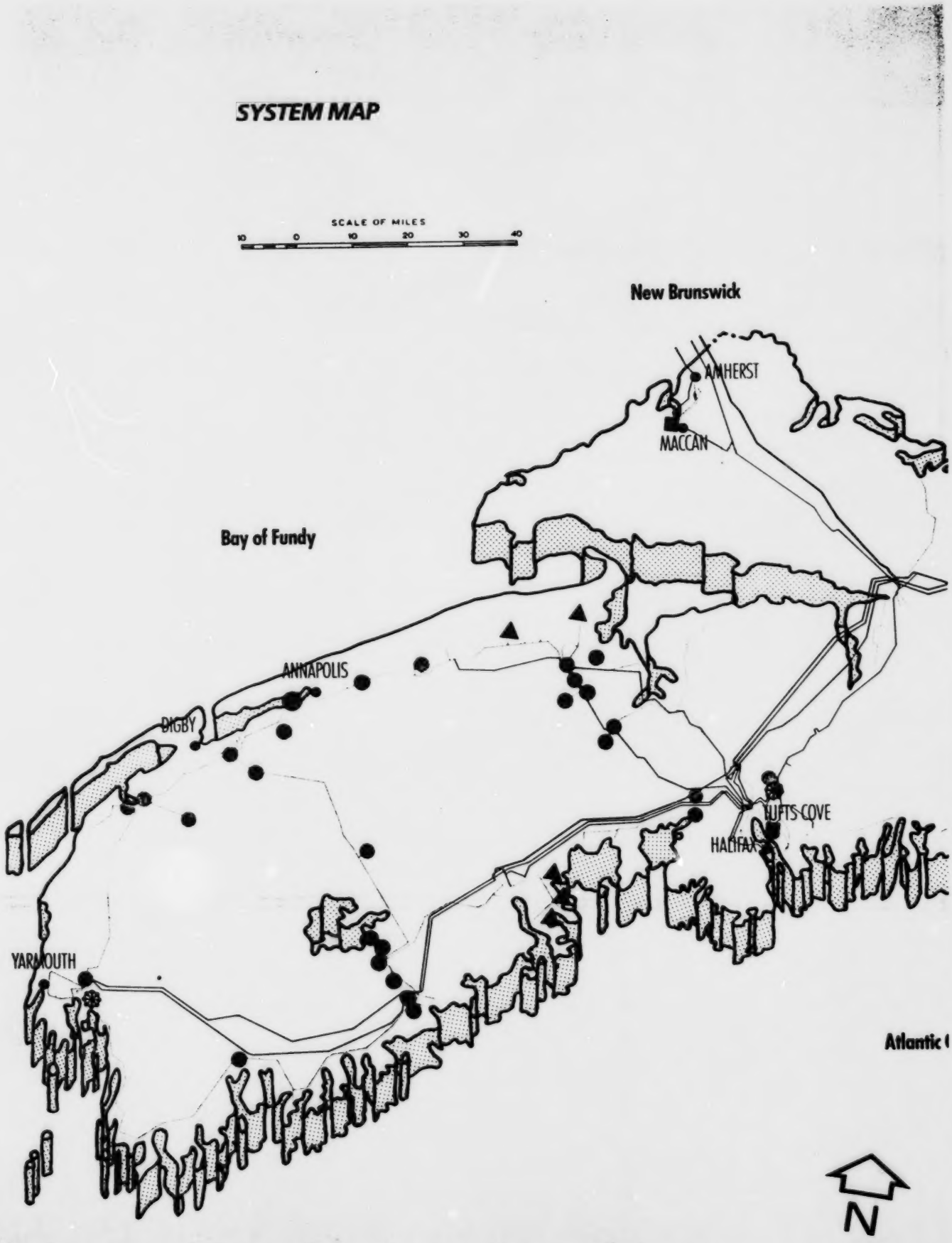
	1988	1987	1986	1985	1984
Electric Energy Generated & Purchased (Thousand kW.h):					
Generated (net)	**7,655,482**	7,168,874	7,037,360	7,002,376	6,016,378
Purchased	**515,212**	554,223	661,460	409,898	772,593
	8,170,694	7,723,097	7,698,820	7,412,274	6,788,971
Losses & Internal Use	**732,816**	715,220	722,371	677,913	542,470
Total Electric Energy Sold	**7,437,878**	7,007,877	6,976,449	6,734,361	6,246,501
Energy Sales Billed (Thousand kW.h.):					
Domestic Service	**2,782,613**	2,659,872	2,468,203	2,337,509	2,102,796
General Service	**2,030,802**	1,931,380	1,845,663	1,811,013	1,685,649
Industrial Power	**2,227,152**	2,097,916	1,981,854	2,045,128	1,990,024
Municipalities	**223,124**	212,156	198,392	191,199	182,123
Unmetered Services	**76,179**	74,155	72,677	72,928	71,862
Total In-Province Billed Energy Sales	**7,339,870**	6,975,479	6,566,789	6,457,777	6,032,454
Increase (Decrease) in Unbilled Sales	**68,594**	31,516	19,986	(132,114)	21,226
Grid Sales	**29,414**	882	389,674	408,698	192,821
Total Electric Energy Sales	**7,437,878**	7,007,877	6,976,449	6,734,361	6,246,501
Electric Revenue Billed (Thousand $):					
Domestic Service	**$208,581**	$200,135	$187,241	$179,173	$160,186
General Service	**159,691**	151,912	145,913	143,504	132,656
Industrial Power	**105,405**	100,008	98,284	99,969	96,085
Municipalities	**11,536**	10,895	10,249	9,922	9,479
Unmetered Services	**11,170**	10,788	10,487	10,457	10,124
Total In-Province Electric Revenue	**496,383**	473,738	452,174	443,025	408,530
Increase (Decrease) in Unbilled Revenue	**4,423**	2,278	1,362	(9,758)	5,778
Grid Sales	**1,852**	40	13,129	14,388	5,375
Total Electric Revenue	**$502,658**	$476,056	$466,665	$447,655	$419,683
Average Unit Revenue per kW.h Billed:					
Domestic Service	**7.50¢**	7.52¢	7.59¢	7.67¢	7.62¢
General Service	**7.86¢**	7.87¢	7.91¢	7.92¢	7.87¢
Industrial Power	**4.73¢**	4.77¢	4.96¢	4.89¢	4.83¢
Municipalities	**5.17¢**	5.14¢	5.17¢	5.19¢	5.20¢
Unmetered Services	**14.66¢**	14.55¢	14.43¢	14.34¢	14.09¢
All Classifications Combined	**6.76¢**	6.79¢	6.89¢	6.86¢	6.77¢
Number of Employees	**2,420**	2,383	2,450	2,454	2,458
Number of Customers	**373,594**	364,673	356,764	348,146	341,006
km of Transmission Lines (69 kV & Over)	**4,866**	4,862	4,712	4,648	4,468
km of Distribution Lines (36 kV & Under)	**23,503**	22,620	21,972	21,694	21,595
Cost of Fuel (Thousand $) — Coal	**$154,011**	$144,629	$146,971	$136,182	$ 78,420
Oil	**45,071**	28,768	46,341	74,929	100,467
TOTAL	**$199,082**	$173,397	$193,312	$211,111	$178,887

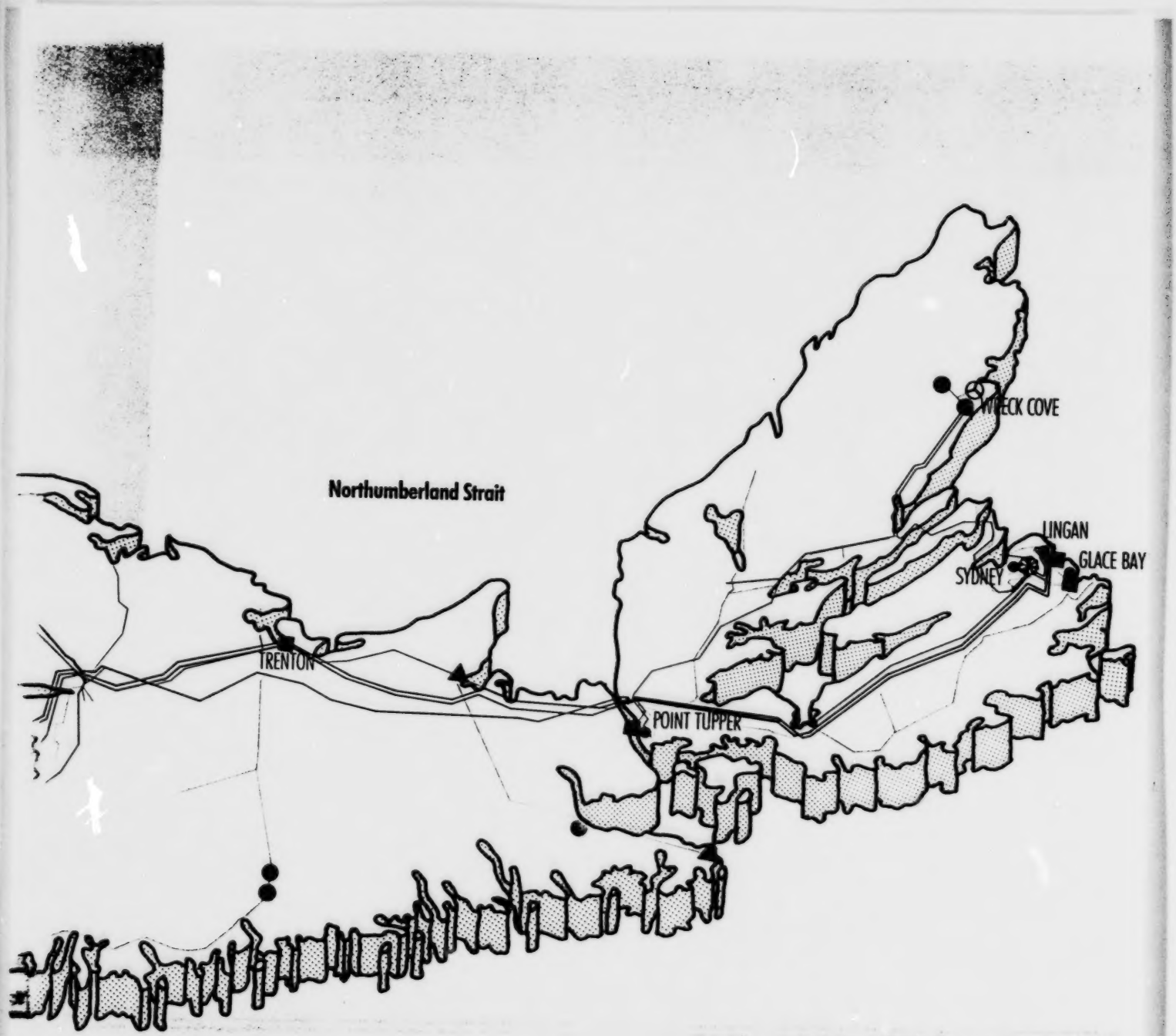
Generation Statistics

	Installed Capacity in kW	1987-88 Generation (kW.h x 1,000)
Steam		
Lingan	601,800	4,356,870
Tufts Cove	350,000	1,237,595
Trenton	190,000	950,371
Point Tupper	150,000	448,058
Glace Bay	96,000	202,769
Maccan	15,000	21,559
	1,402,800	7,217,222
Gas Turbine	179,845	21,977
Hydro		
Total 33 Plants	361,902	836,145
Tidal	19,458	23,534
Wind Turbine	300	35
TOTAL CAPACITY	1,964,305	
TOTAL GENERATION		8,098,913
Less: Station Service		443,431
NET GENERATION		7,655,482
Purchases		515,212
Inter-Provincial Sales (to NBEPC)		(29,414)
NET REQUIREMENT		8,141,280

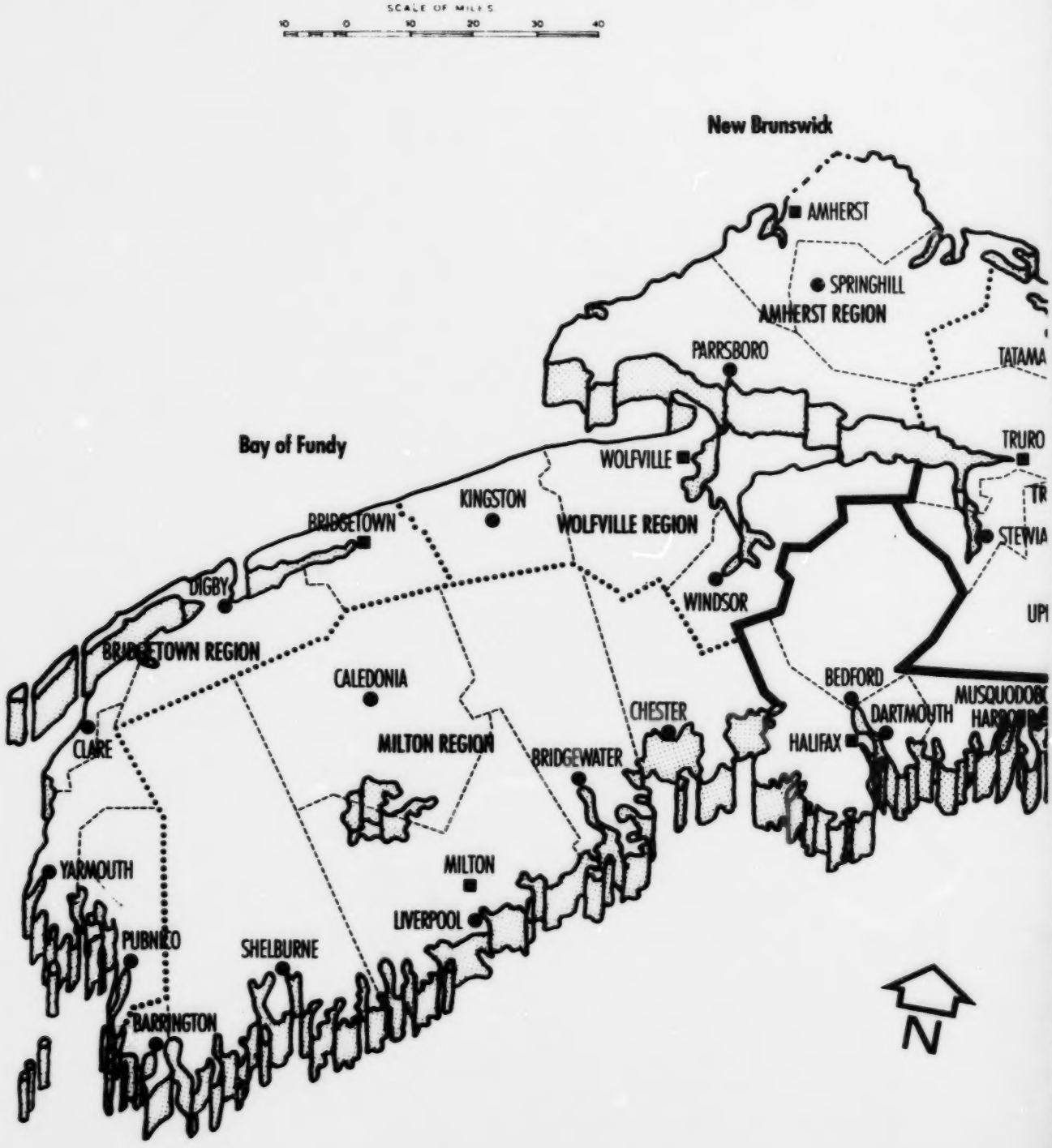


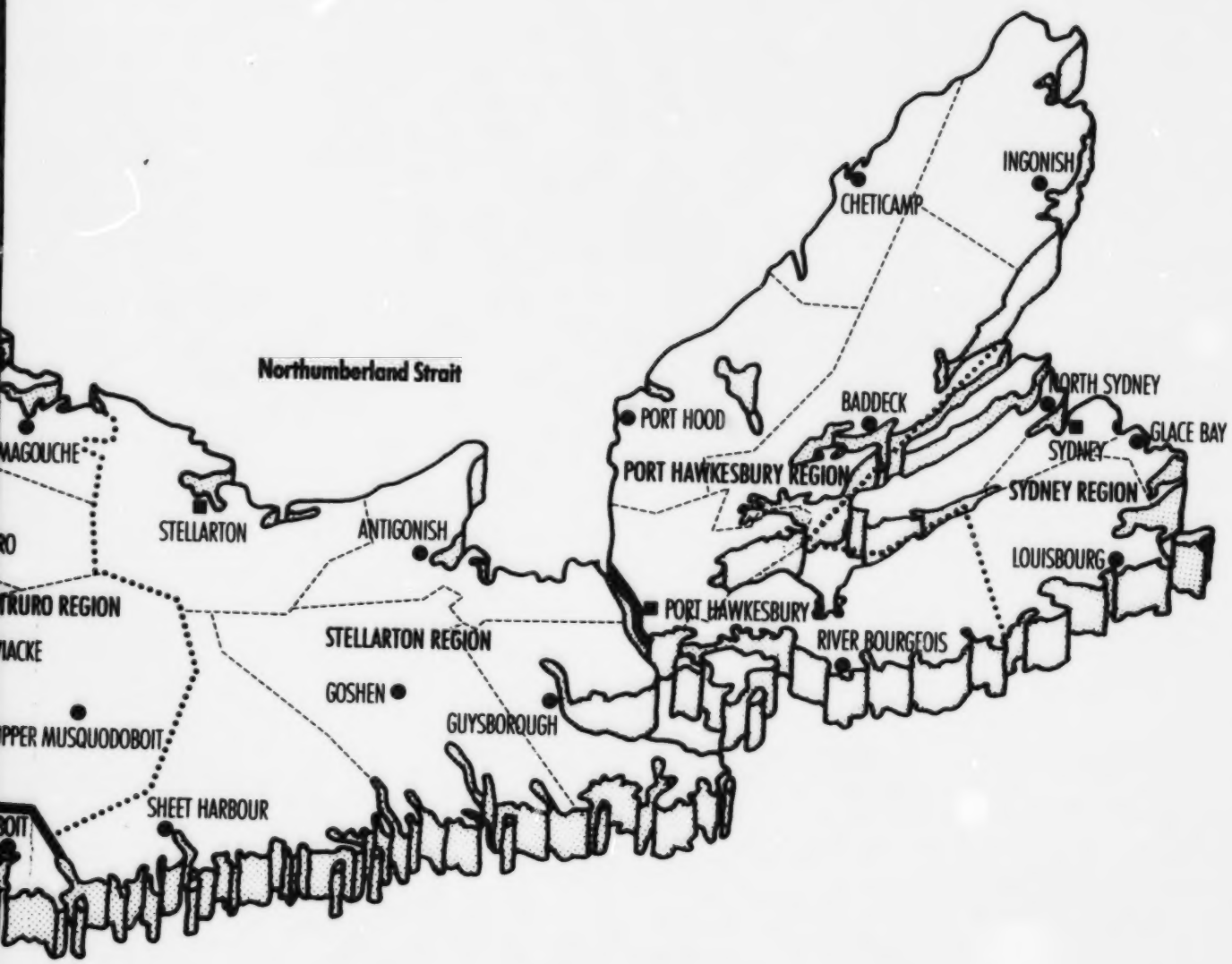
SYSTEM MAP


SCALE OF MILES
10 0 10 20 30 40
New Brunswick
AMHERST
MACCAN
Bay of Fundy
ANNAPOLIS
DIGBY
YARMOUTH
HALIFAX
Atlantic
N


Northumberland Strait
WRECK COVE
LINGAN
GLACE BAY
SYDNEY
TRENTON
POINT TUPPER
Atlantic Ocean
Transmission Lines
69 kV
138 kV
230 kV
345 kV
Plants
Steam
Gas Turbine
Hydro
Tidal
Wind Turbine
Municipal Utilities

OPERATIONS MAP





Eastern Zone
Central Zone
Halifax Zone
Western Zone

Boundaries

Zone
Region
District

Locations

Regional Office ■
District Office ●